



Quarterly Revenue Report: Fiscal Year 2015-Q1

**Tax Revenue Research
Updates by Quarter
Including Monthly
Revenue Table**

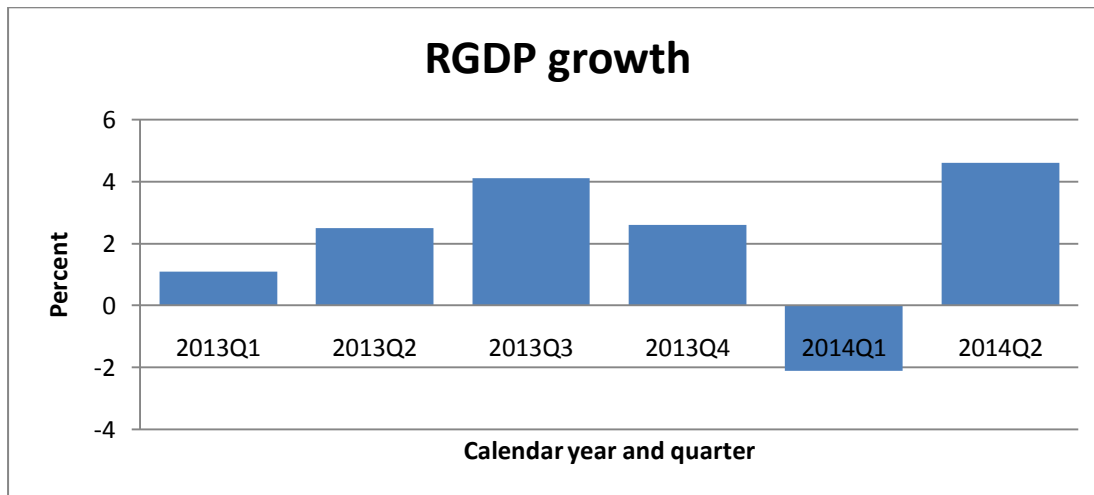
Illinois Department of Revenue

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National Economy

The fiscal year 2015 estimate has been revised up from the previous estimate. According to the most recent Bureau of Economic Analysis (BEA), the second quarter 2014 estimate of real gross domestic product (RGDP) output in the U.S. increased at an annual rate of 4.6 percent, as compared with the previous estimate of 4.2 percent. This is in contrast to the first quarter of the year when real RGDP declined a sharp 2.1 percent.¹ The RGDP growth was driven by positive contributions from personal consumption, residential and nonresidential fixed investment, private inventory investment, exports, and local government spending. The gains were partially offset by an increase in imports, which are a subtraction to RGDP, and a 0.9-percent decline in federal government expenditures.



SOURCE: U.S. Bureau of Economic Analysis

The most recent statement from the U.S. Bureau of Labor Statistics (BLS) reports that total nonfarm payroll employment increased by 248,000 in September.² The sectors leading the most employment growth are professional and business services, retail trade, and healthcare.

Household survey data shows the September unemployment rate declined by 0.2 percentage points to 5.9 percent. This is the first time that the unemployment rate was below 6.0 percent since July 2008. The number of unemployed persons decreased by 329,000 to 9.3 million. The unemployment rate and the number of unemployed persons are down by 1.3 percentage points and 1.9 million, respectively in the last year.

Economic growth and improvement in the labor market should give the Federal Open Market Committee (FOMC) cause to wind down its long dated asset purchase program known as the quantitative easing program. "During recent meetings, the FOMC discussed ways to normalize the stance of monetary policy."³ Previous communications from the Federal Reserve Bank (FED) have set an expectation that it will announce the end of quantitative easing at the next FOMC meeting in October. The FOMC has previously indicated that it would keep interest rates low for an extended period of time.

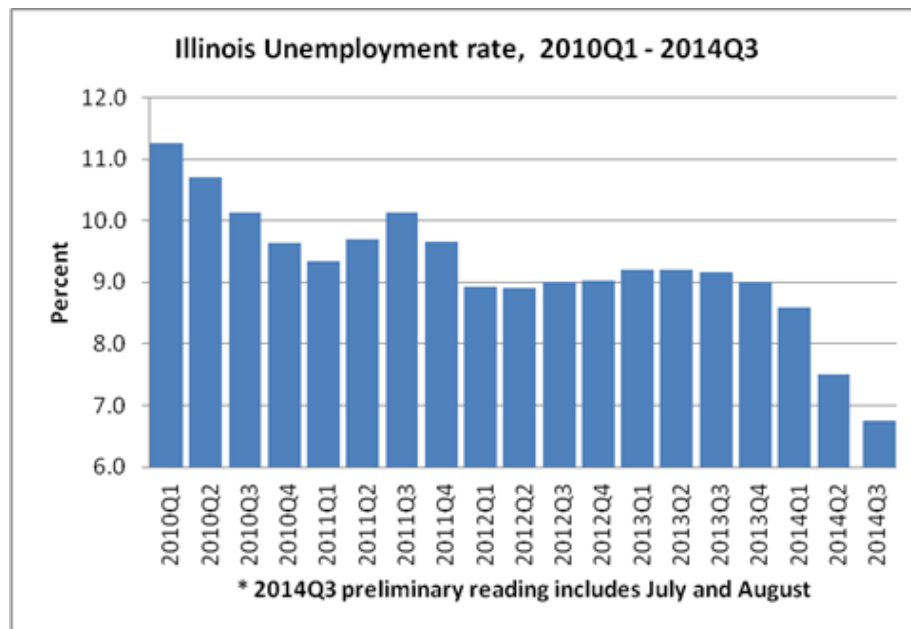
¹ Bureau of Economic Analysis, News release, September 26, 2014.

² Bureau of Labor Statistics, News release, July 3, 2014.

³ Board of Governors of the Federal Reserve System Press Release, Policy Normalization Principles and Plans, September 17, 2014

Illinois Economy

While Illinois employment growth has lagged national employment growth for more than a decade, the Illinois employment situation has improved recently. According to preliminary data released by the Illinois Department of Employment Security (IDES), the state economy added 40,600 jobs in the year from August 2013 to August 2014.⁴ Illinois' unemployment rate declined from 6.8 percent in July to 6.7 percent in August, which is the sixth consecutive decline, and its lowest level of unemployment since July 2008.



SOURCE: Illinois Department of Employment Security

The unemployment rate has fallen 2.5 percentage points in the past twelve months beginning in August 2013 when it stood at 9.2 percent. As the table above illustrates, there has been consistent improvement in the unemployment rate during recent months, and an enormous improvement since unemployment exceeded 11 percent back in early calendar year 2010. According to current IDES reports, the Chicago-Joliet-Naperville and the Davenport-Moline-Rock Island areas have the lowest unemployment rates, each at 6.2 percent rate. At the other end of the scale, the highest unemployment is in Danville, which stands more than 3 percentage points higher, at 9.7 percent.

The employment gains in the state have been led by professional and business service sectors, which added 17,200 jobs in the twelve months prior to August 2014, followed by the construction industry, which added 11,000; and the government (federal, state and local combined) adding about 7,600 employment opportunities. At the same time, manufacturing jobs declined by 3,700 in the same twelve-month period.

⁴ Illinois Department of Employment Security, News release, September 18, 2014.

According to the Federal Bank of Philadelphia Index of Leading Economic Indicators, the Illinois economy is expected to grow in the next six months.⁵ Predicted growth in the index is correlated with future Illinois economic growth. The table below shows Illinois along with Midwest states' indices. The Index of Leading Indicators can be volatile month to month. The Department will continue to monitor the index to determine whether or not the current level is a temporary deviation from prior higher growth rates or is evidence of a slowing of growth in general.

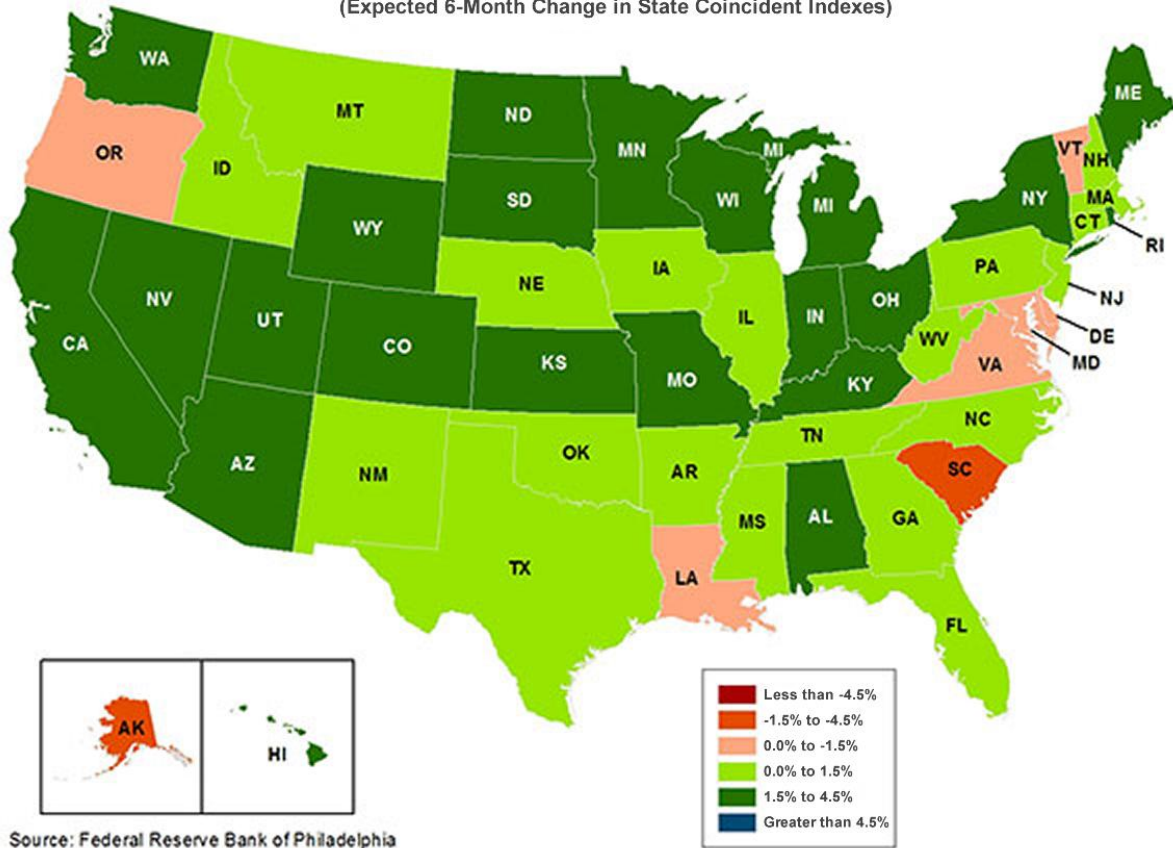
Index of Leading Economic Indicators: Midwest Region

State	6-Month Growth Forecast
Illinois	1.32%
Indiana	1.88%
Iowa	0.85%
Kansas	1.58%
Michigan	3.64%
Minnesota	3.05%
Nebraska	0.79%
North Dakota	2.73%
Ohio	2.45%
South Dakota	1.80%
Wisconsin	2.90%

SOURCE: Federal Reserve Bank of Philadelphia

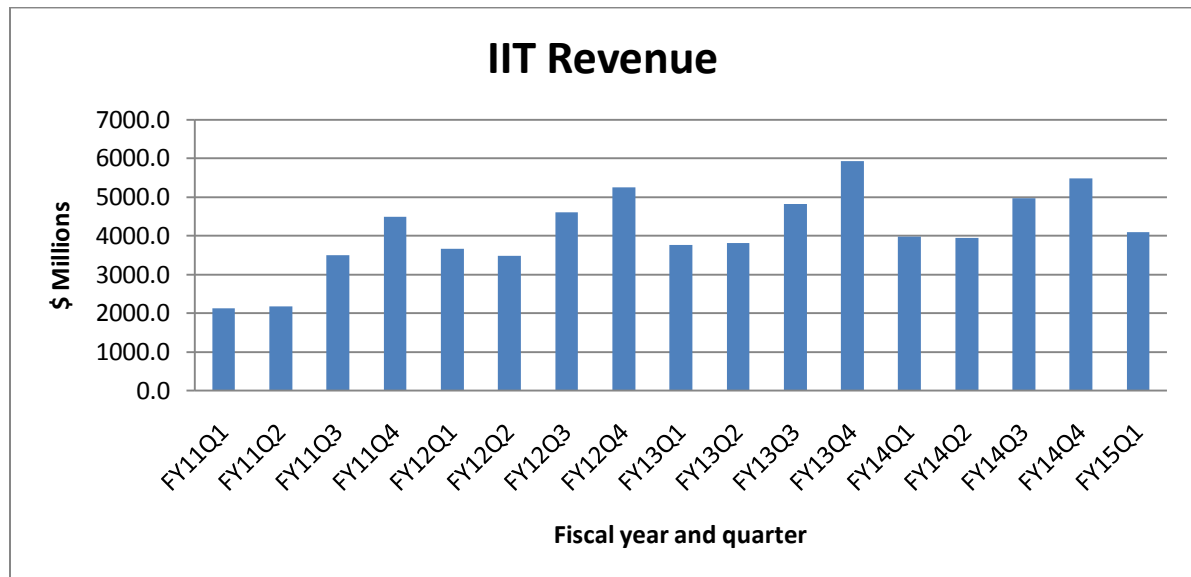
⁵ The leading index for each state predicts the six-month growth rate of the state's coincident index. In addition to the coincident index, the models include other variables that lead the economy: state-level housing permits (1 to 4 units), state initial unemployment insurance claims, delivery times from the Institute for Supply Management (ISM) manufacturing survey, and the interest rate spread between the 10-year Treasury bond and the 3-month Treasury bill. A time-series model (vector auto-regression) is used to construct the leading index. Current and prior values of the forecast variables are used to determine the future values of the index. Federal Reserve Bank of Philadelphia, "State Leading Indexes," Retrieved 10/10/2014 from <http://www.philadelphiafed.org/research-and-data/regional-economy/indexes/leading/>

August 2014 State Leading Indexes (Expected 6-Month Change in State Coincident Indexes)



Individual Income Tax (IIT)

IIT revenue is very close to the first quarter of fiscal year 2015 forecast. Actual receipts are \$19.6 million above target, which is only a 0.5-percent deviation from the year-to-date forecast. IIT is 0.8 percent above the year-to-date enacted budget estimate. While withholding performed slightly below estimate for the quarter, non-withholding slightly outperformed the estimate, offsetting the shortfall. The bar chart below illustrates the evolution of IIT receipts since quarter one, fiscal year 2011, when the income tax rate increased from 3 percent to 5 percent.



SOURCE: Illinois Department of Revenue

Withholding Receipts (WIT)

First quarter of fiscal year 2015 withholding receipts performance fell short of forecast, ending the quarter 1.2 percent, or \$40.7 million, below estimate. Notwithstanding falling short of forecast, receipts are 2.3 percent above the first quarter of fiscal year 2014. A possible source of withholding receipts volatility is the tax rate decrease from 5.0 percent to 3.75 percent effective January 1, 2015. Often times rate changes create implementation lags until employers fully adjust to the lower rate.

Non-withholding receipts (non-WIT)

First quarter non-WIT receipts performed better than expected. Non-WIT ended the first quarter of the fiscal year 10.9 percent, or \$60.3 million, above our estimate for the quarter. Higher-than-expected estimated payments account for about one half of the variation above forecast for the quarter. Non-withholding is 3.9 percent above the same quarter of fiscal year 2014. Capital gains realizations that accompany strong stock market returns are the main source of the strong estimated payments.

Individual Income Tax (IIT)

Components Year-to-Date (\$ millions)

	Actual	Forecast	\$ Difference	% Difference
Withholding	\$3,477.7	\$3,518.4	-\$40.7	-1.2%
Non-Withholding	\$611.7	\$551.4	\$60.3	10.9%
Total	\$4,089.4	\$4,069.8	\$19.6	0.5%

	FY2014	FY2015	\$ Difference	% Difference
Withholding	\$3,399.0	\$3,477.7	\$78.7	2.3%
Non-Withholding	\$588.5	\$611.7	\$23.2	3.9%
Total	\$3,987.5	\$4,089.4	\$101.9	2.6%

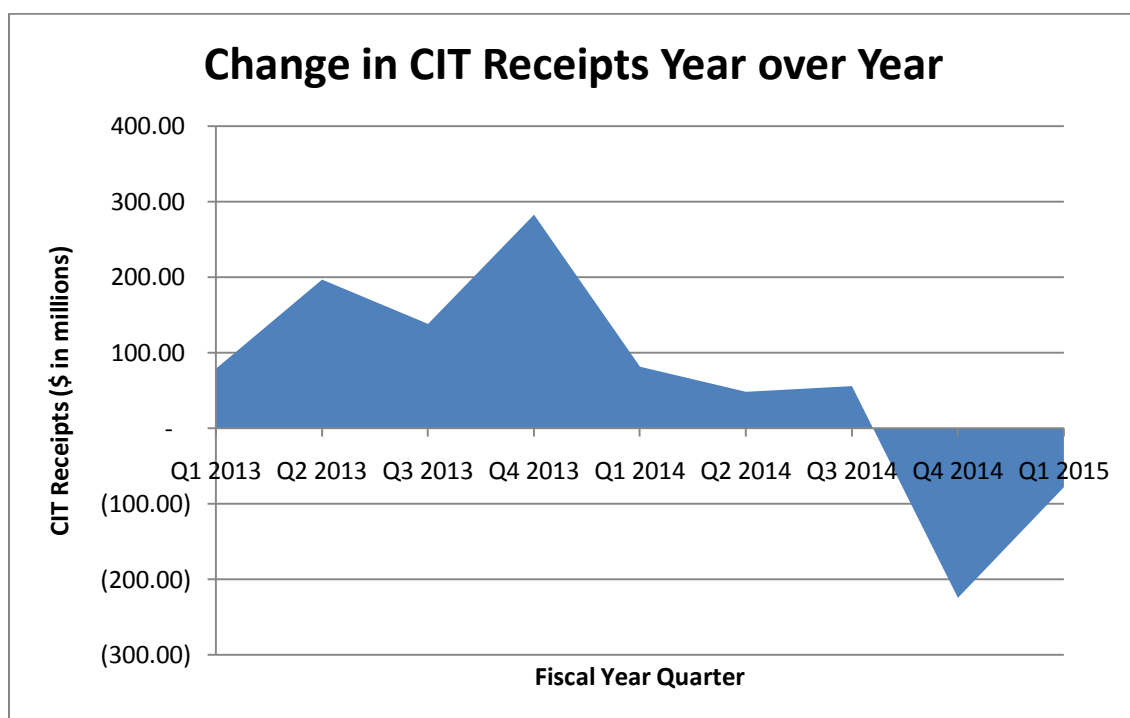
Payment totals match the Comptroller's receipts. Withholding and estimated and final payments are derived from IDOR collection data and in-transit fund data. Totals may not equal individual components due to rounding.

Corporate Income Tax (CIT)

After a strong corporate income tax growth throughout fiscal year 2013 and the first three quarters of fiscal year 2014, receipts have shown a consistent downward trend starting in March 2014 and continuing through this quarter, as shown in the chart below. Corporate Income Tax first quarter receipts totaled \$656.2 million, which is \$128.6 million (16.4 percent) below forecast. Compared to the previous year, total receipts were \$78.1 million, or 10.6 percent, below the same quarter in the prior year.

We are still investigating the reason for the decline in the corporate income tax. One hypothesis is due to the weather-related decline in consumption spending in the first quarter of calendar 2014, which flowed through to negatively affect business profits. According to the Bureau of Economic Analysis, there was a 4.9-percent decline in profits in the first quarter of fiscal year 2014, and IHS Economics projected profits to be flat, year over year, in the second quarter.

A second hypothesis is that Illinois' harsh winter reduced the sales that businesses apportion to Illinois for purposes of making estimated payments. This means that the corporate income tax declined due to the decline in Illinois' sales relative to the country as a whole, rather than the decline in corporate income tax being the result of the decline in U.S. profits experienced during the first quarter.



Sales & Use Tax

Continued improvement in Illinois' labor and housing markets and months of increasing consumer sentiment contributed to a strong first quarter. Receipts were 4.9 percent (\$95.3 million) above the first quarter last fiscal year, and 2.6 percent (\$52.0 million) above IDOR's first quarter forecast. First-quarter growth was very close to national retail sales growth, which was 4.2 percent, 5.0 percent, and 4.3 percent in July, August, and September, respectively.⁶

Sales & Use Tax				
Year-to-Date Comparison (\$ millions)				
	FY 2014	FY 2015	\$ Difference	% Difference
Vehicles	\$298.3	\$337.2	\$38.9	13.1%
Motor fuel*	\$200.3	\$191.6	-\$8.7	-4.3%
All else	\$1,440.5	\$1,505.6	\$65.0	4.5%
	\$1,939.1	\$2,034.4	\$95.3	4.9%
<i>*Estimated. IDOR does not have actual data on sales/use tax from motor fuel.</i>				

Although falling motor fuel prices caused tax receipts from the associated sales to decline over the first quarter, relief at the pump typically contributes positively to consumer sentiment and non-fuel consumer spending by leaving more disposable income in consumers' pockets. Current forecasts project lower motor fuel prices for the rest of fiscal year 2015, compared to last fiscal year.

Receipts from vehicle sales had another stellar quarter, posting year-over-year growth that was the highest since the middle of fiscal year 2011. We have been expecting motor vehicle receipts in fiscal year 2015 to increase a bit less than in recent years, but first quarter results suggest we might have been too conservative. Average growth over the last four fiscal years was 8.7 percent, which we could achieve in fiscal year 2015 if receipts for the rest of the year increase approximately 7.0 percent.

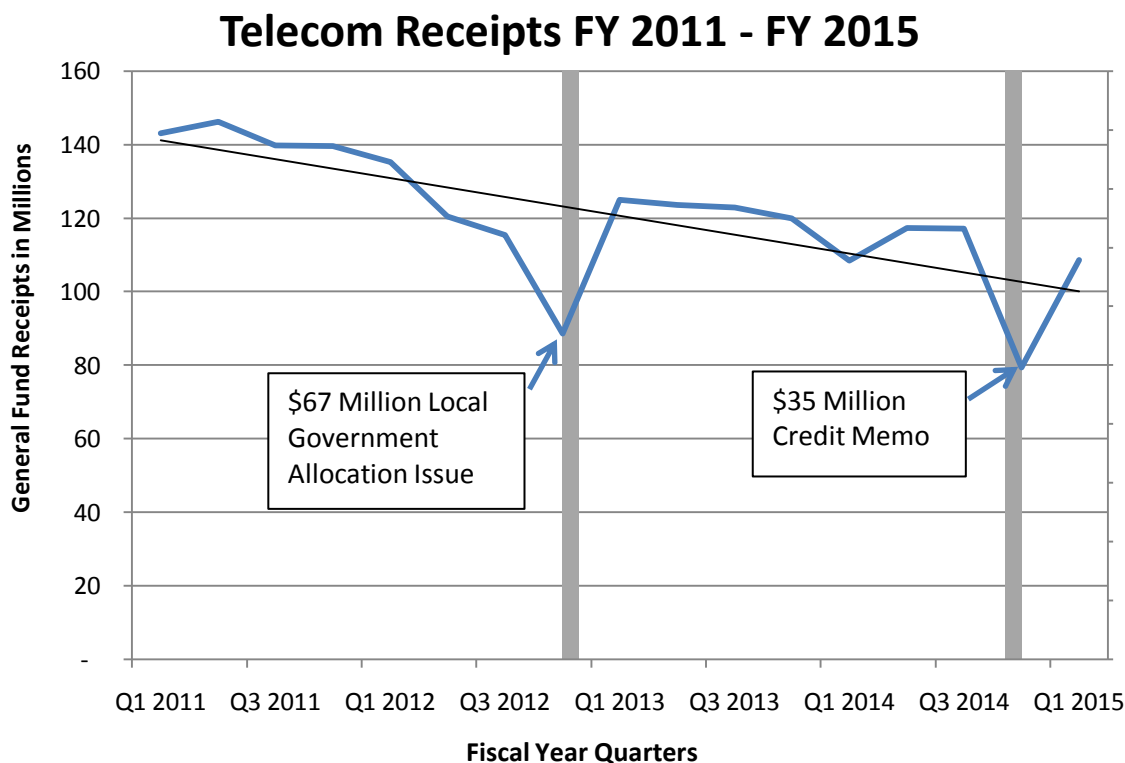
⁶ U.S. Census Bureau Monthly & Annual Retail Trade. <https://www.census.gov/retail/>

Public Utilities Taxes

Receipts from Public Utilities Taxes were in line with forecasts for the first quarter of fiscal year 2015. Total receipts for the quarter were \$235.4 million, 0.7 percent below the budget book forecast of \$237.2 million, and 1.9 percent above the enacted budget of \$231.0 million. Electricity and Natural Gas Taxes exceeded forecasts, while Telecommunications continued to miss expectations.

Telecommunications

Telecommunication Excise Tax receipts rebounded in the first quarter of 2015, but not as high as expected. Revenues missed forecast by \$6.9 million, or 5.9 percent. The continued decline in Telecommunications Excise Tax stems from the continued erosion of the tax base as consumers continue to abandon land line services, and gravitate to other digital and smart devices and services not taxable under the Telecom Excise Tax. According to the Centers for Disease Control, 38.0 percent of Illinois adults used only cell phone services in 2012, an increase from 35.2 percent in the prior year.



SOURCE: Illinois Department of Revenue^{7,8}

⁷ The Department collects the state Telecom tax and the local Telecom tax on the same forms. The Department had allocated too much to the state in prior years. Local governments received extra money in fiscal year 2012 to offset the under-allocation in prior years.

⁸ Taxpayers paid Telecom tax on telecommunications charges that are not taxable under Illinois law. Those taxpayers were issued credit memos at the end of FY 2014 to compensate them for the tax that was paid in error.

Natural Gas

Natural Gas receipts exceeded expectations by \$2.2 million. It is difficult to draw conclusions about receipts for the remainder of the fiscal year as winter heating demand is what drives Natural Gas receipts; the first quarter of the fiscal year brings in approximately 9.0 percent of expected Natural Gas receipts. Heating Degree Day statistics suggest that the summer was slightly cooler than normal, with 57 heating degree days in July and August, as opposed to 31 in a normal year.

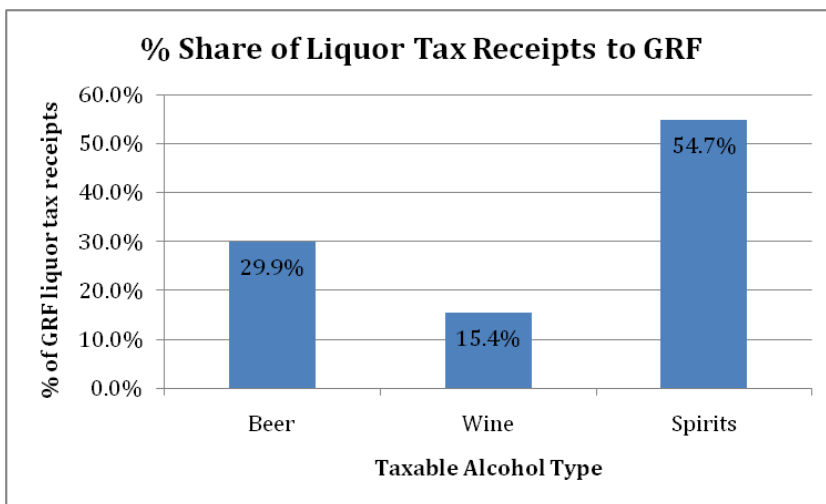
Electricity

Electricity Excise Tax receipts in the first quarter of fiscal year 2015 were \$108.8 million, \$2.9 million (2.8 percent) above forecast. Receipts were below the same period last year due to the decline in electricity sales in Illinois attributable to slightly cooler weather. According to the Energy Information Administration (EIA), retail sales of electricity in Illinois were down 1.7 percent between May and July 2014, which corresponds to Electricity tax receipts for July through September. This decline was due to lower sales to the residential sector, a result of the lower demand for air conditioning.

Liquor Tax

Liquor tax receipts to the General Revenue Fund were 0.8 percent above the first quarter last fiscal year, and 0.7 percent below the IDOR forecast. Preliminary statistics for fiscal year 2014 show that the taxable consumption of beer increased 1.2 percent compared to fiscal year 2013, while the taxable consumption of wine and spirits were basically flat at -0.1 percent and 0.1 percent, respectively. Spirits made up the largest share of fiscal year 2014 liquor tax receipts to the General Revenue Fund (54.7 percent), followed by beer (29.9 percent) and wine (15.4 percent). Tax returns for fiscal year 2014 will be finalized over the next six months, at which point IDOR can offer final information about taxable consumption.

Liquor Tax				
Year-to-Date (\$ millions)	*Includes General Revenue Fund			
	Actual	IDOR Forecast	\$ Difference	% Difference
All Funds*	\$74.3	\$74.9	-\$0.5	-0.7%
General Revenue Fund	\$43.8	\$44.1	-\$0.3	-0.7%
	Actual	HR 389 Forecast	\$ Difference	% Difference
General Revenue Fund	\$43.8	\$43.6	\$0.2	0.5%
	FY 2014	FY 2015	\$ Difference	% Difference
All Funds*	\$73.8	\$74.3	\$0.6	0.8%
General Revenue Fund	\$43.4	\$43.8	\$0.3	0.8%



Motor Fuel Taxes

Combined motor fuel tax receipts (regular MFT, IFTA, and UST) for the first quarter of fiscal year 2015 were 7.0 percent (\$23.0 million) below the first quarter last fiscal year, and 5.4 percent (\$17.5 million) below the IDOR forecast. We believe these results reflect cash-flow volatility rather than real changes in taxable fuel consumption. Motor fuel tax receipts have a lot of volatility due to tax return filing and processing factors, causing large swings in monthly receipt totals from year to year. This is especially true for receipts from IFTA, which arrive as net payments that equal the difference between what Illinois owes other jurisdictions and what they owe Illinois. This volatility, which can fluctuate between double-digit growth and decline from month to month, has a larger effect on cumulative year-over-year growth calculations in the early part of the year when only a few months have gone by. Cumulative receipts at the end of the second quarter of fiscal year 2015 will provide a more reliable indicator of performance.

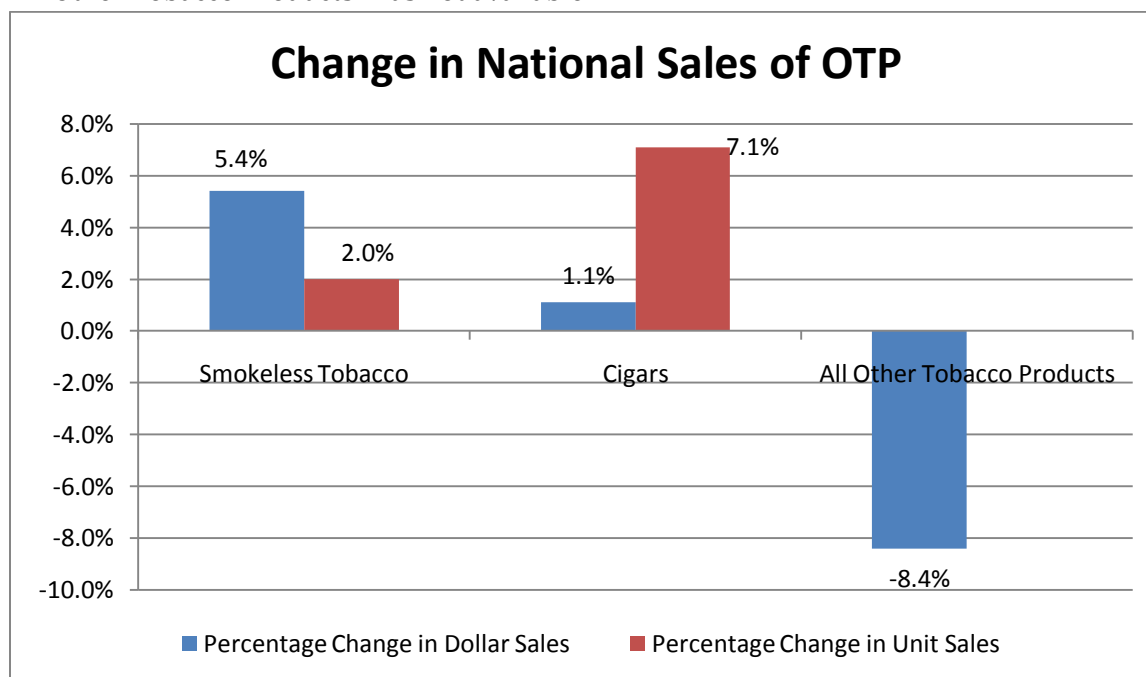
To illustrate this volatility, year-over-year change by month during the first quarter for regular MFT, IFTA, and UST, are in the table below.

Year-over-year Change in Regular MFT, IFTA, and UST Receipts By Month			
	Regular MFT	IFTA	UST
July	6.3%	-7.8%	-14.1%
August	-35.6%	-5.7%	-29.0%
September	<u>18.3%</u>	<u>-94.6%</u>	<u>12.9%</u>
First Quarter 2015	-4.9%	-34.6%	-11.4%

Other Tobacco Products Tax

The Other Tobacco Products Tax (OTP) came in short of the estimate this quarter. However, this tax revenue source is showing signs of recovery from the drop caused by the previous fiscal year's tax rate changes. OTP receipts came in 5.6 percent short of the first quarter estimate. Compared year-over-year though, receipts were 5.2 percent greater than fiscal year 2014. Growth year-over-year was encouraging considering the double-digit decline experienced in the first quarter of fiscal year 2014. And while OTP may have missed its first quarter mark, current year receipts did exceed the expected receipts in July and August. While there is still considerable ground to make up between actual receipts and forecast, it is still reasonable to expect OTP to meet the fiscal year 2015 estimate of \$40 million.

Recent national market analysis from industry publication CSPnet, helps explain this overall growth versus last year. Below is the percentage change in growth seen in the three major subcategories that comprise OTP. This data shows sales over a 24-week period ending June 15, 2014. Percentage change is based on comparison with the same period of time last year. Change in unit sales data for 'All Other Tobacco Products' was not available.



SOURCE: Oller, Samantha; Vonder Haar, Melissa. Midyear Category Data Report 2014. CSPnet.^{9,10}

Smokeless tobacco products and Cigars continue to show growth while all other products are declining.¹¹ As Smokeless tobacco and Cigars are the two largest categories of OTP products, growth

⁹ <http://www.cspnet.com/print/csp-magazine/article/midyear-category-data-report-2014?page=0%2C0>

¹⁰ This is based on a market survey of convenience store sales. While other types of retail outlets sell tobacco products, convenience stores make up a large enough portion of all national sales to be representative of the general market.

¹¹ The 'All Other Tobacco Products' category includes loose leaf tobacco like RYO and Pipe / Dual Use.

for these categories has a positive impact on the OTP market. What is interesting to note is the difference in the type of growth each of these two sectors is seeing. Smokeless tobacco saw a 5.4 percent increase in dollar sales and only a 2 percent increase in unit sales. This leads to the conclusion that smokeless products like “snus” and chewing tobacco are becoming more expensive.¹² Cigars seem to be indicating the opposite trend as the sector experienced a 7.1 percent increase in unit sales, but only a 1.1 percent increase in dollar sales. This kind of change would lead to an overall decrease in the average price for cigars. Unfortunately, there is no recent data available yet that can show how much Moist Snuff plays into the growth of the Smokeless category.

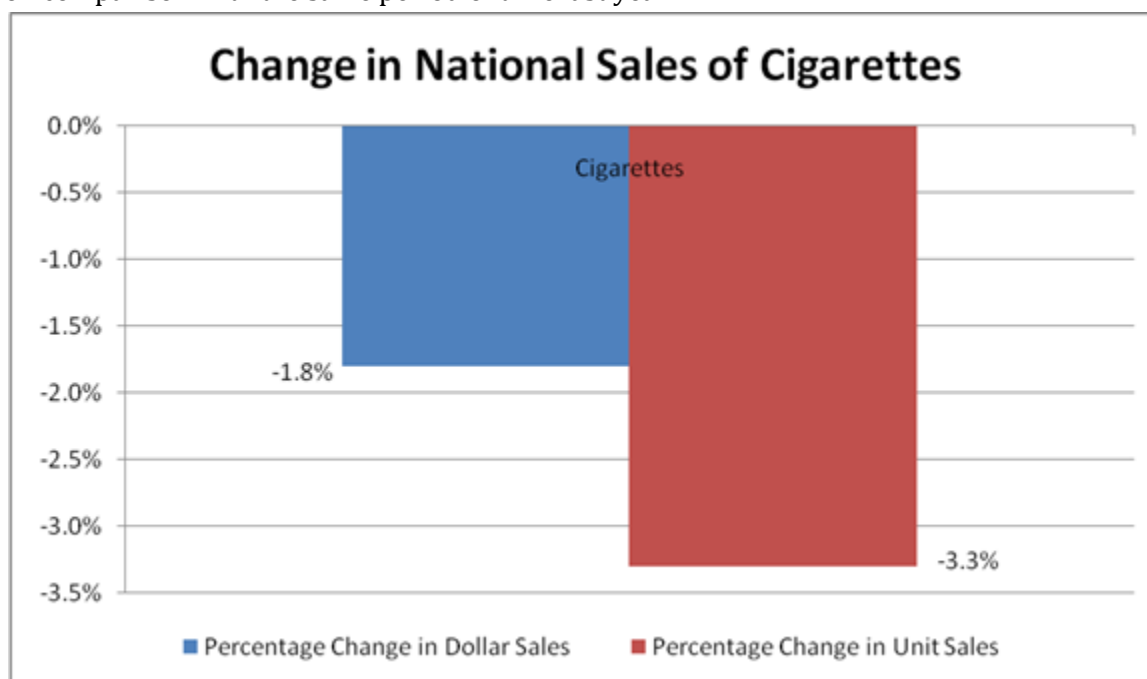
¹² J. Foulds, L Ramstrom, M Burke and K Fagerstrom, “Effects of smokeless tobacco (snus) on smoking and public health in Sweden, Tobacco Control 2003; 12:349-359: “Snus” is the name given to the form of smokeless snuff tobacco commonly used in Sweden. It is a moist, ground oral tobacco product that is typically placed behind the upper lip, either as loose ground tobacco or contained in sachets appearing like small teabags. The snus is typically held in the mouth (without chewing) for approximately 30 minutes before it is discarded.

Cigarette and Cigarette Use Taxes

The Cigarette Tax revenue source continues to recover to its forecast long-term trend after the tax rate increase to \$1.98. For the fiscal year 2015 first quarter, tax receipts exceeded their estimated amount by 5.1 percent, growing to be 10.8 percent larger than the total receipts of the first quarter of last year. In particular, the July and September receipts were considerably higher than expected, while August receipts were just short of expectation. Notwithstanding the weak August total, the receipts reflect the strongest first quarter cigarette sales since the tax rate change which occurred in fiscal year 2013.

It is too early to know whether the 10.8-percent surplus will maintain at that level or wither away to last year's level. In addition to the general cycle of cigarette stamp sales, recent market data may also indicate an accelerated annual decrease in sales in the cigarette market. Recent national market analysis from industry publication CSPnet exposed this trend.

Below in the table is the percentage change in growth seen in the dollar and unit sales of cigarettes. This data shows sales over a 24-week period ending on June 15, 2014. Percentage change is based on comparison with the same period of time last year.



Source: Oller, Samantha; Vonder Haar, Melissa. *Midyear Category Data Report 2014*. CSPnet.^{13,14}

¹³ <http://www.cspnet.com/print/csp-magazine/article/midyear-category-data-report-2014?page=0%2C0>

¹⁴ This is based on a market survey of convenience store sales. While other types of retail outlets sell tobacco products, convenience stores make up a large enough portion of all national sales to be representative of the general market.

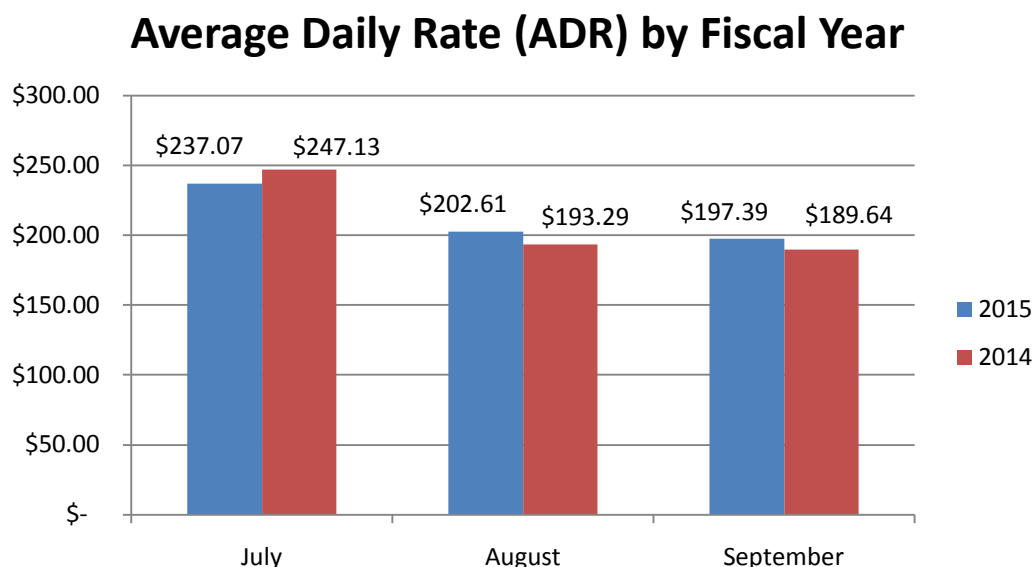
The structure of the Cigarette Tax rate leaves it particularly vulnerable to changes in the overall number of packs purchased. While this trend is only based on a relatively short-term comparison, it could mean a larger decline in cigarette tax revenues year over year for the state market. While such a decline has not yet shown in receipts from this fiscal year, our data is still influenced by the increase of cigarette tax stamp purchase coming back to their pre-tax increase levels. Tax stamp sales will continue to be monitored through the fiscal year to see if this decrease begins to develop.

Cigarette and Cigarette Use Taxes				
Year-to-Date (\$ millions)	*Includes the General Revenue Fund			
	Actual	Estimate	\$ Difference	% Difference
All Funds*	\$226.5	\$204.5	\$22.0	10.8%
General Revenue Fund	\$88.4	\$88.8	-\$0.4	-0.5%
	FY 2014	FY 2015	\$ Difference	% Difference
All Funds*	\$215.5	\$226.5	\$11.0	5.1%
General Revenue Fund	\$88.4	\$88.4	\$0.0	0.0%

Hotel Operators' Occupation Tax (HOOT)

The first quarter of fiscal year 2015 closed with a strong showing by the Hotel Operators' Occupation Tax (HOOT). The total HOOT receipts finished the quarter 6.5 percent above estimate and 11.7 percent above the first quarter of fiscal year 2014. In fact, at just over \$77 million, the first quarter of fiscal year 2015 is the strongest single quarter performance this tax source has seen since receipts hit their lowest point in fiscal year 2010.¹⁵ Given that first two quarters of the fiscal year generally account for 60% of annual receipts, this is particularly good for this revenue source.

This quarter's good performance can be explained in part by two industry metrics. The first is Average Daily Rate (ADR), a measure of the average per-night rate paid per occupied room for a given period of time.¹⁶ This measure gives a sense as to the revenue hotels are generating per guest. The second metric is the Hotel Occupancy Rate (Occ), which is the percentage share of all available rooms which have been rented during a given period.¹⁷ The following charts depict ADR and Occ for the first three months of fiscal year 2015.



SOURCE: Choose Chicago. *Monthly Occupancy and ADR Statistics*.¹⁸

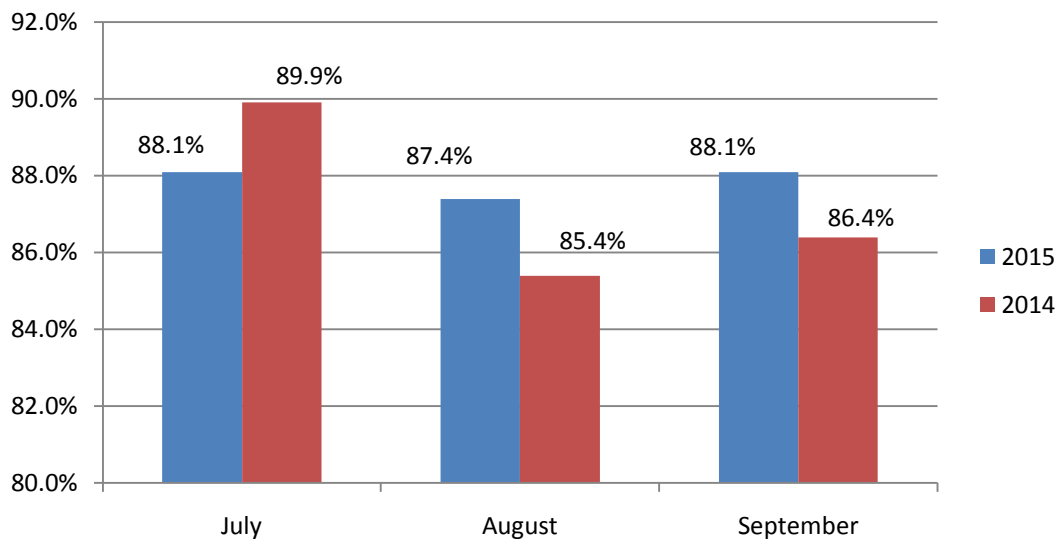
¹⁵ Fiscal year 2010 saw a total of only \$173 million. This low point was caused by the bottoming out of the Illinois hotel market following the most recent financial crisis.

¹⁶ Reid, Robert (2009). *Hospitality Marketing Management*, 5th Edition. Wiley and Sons. pp. 305-306.

¹⁷ *How to use the STAR report*. STR Global. pp. 2

¹⁸ <http://www.choosechicago.com/articles/view/monthly-occupancy-and-adr-statistics/72/>

Hotel Occupancy Rate (Occ) by Fiscal Year



SOURCE: Choose Chicago. Monthly Occupancy and ADR Statistics.¹⁹

Due to limitations in access to data, the ADR and Occ numbers are for the hotel market in Chicago, and not the entire state of Illinois. However, while this data does not cover a large portion of the state, the nature of the Chicago hotel market as an overall driver of state receipts gives descriptive and profound importance to the data. Also please note that the ADR and Occ depicted correspond to the liability month that precedes the collection month. This is due to the one month lag between the period in which taxable activity occurs and when taxpayers are required to file a return with the Department of Revenue.²⁰

ADR for fiscal year 2015 holds steady to the trend line depicted for fiscal year 2014, and shows additionally some modest growth. While the July 2015 ADR is short of the 2014 level, it is the highest ADR seen so far this calendar year. The average ADR for this quarter was \$212.36, which is slightly more than a 1 percent growth over last year. The Occ numbers held almost flat over the three-month period, with July and September both posting the highest levels this calendar year. The average Occ for this quarter was 87.9 percent, just short of a 1 percent growth over last year. Overall, both metrics indicate a strong hotel market that is continuing to expand even if this quarter's metrics are only marginally better than last year.

As fiscal year 2015 continues, examination of this source will continue to determine if any of this momentum can continue into the second quarter. If current trends continue there will be little need to worry about this source meeting its fiscal year estimate of \$240 million.

¹⁹ <http://www.choosechicago.com/articles/view/monthly-occupancy-and-adr-statistics/72/>

²⁰ Therefore ADR and Occ depicted in these graphs correspond to the preceding liability months of June, July, and August in that order.

Hotel Operators' Occupation Tax (HOOT)

Year-to-Date (\$ millions)

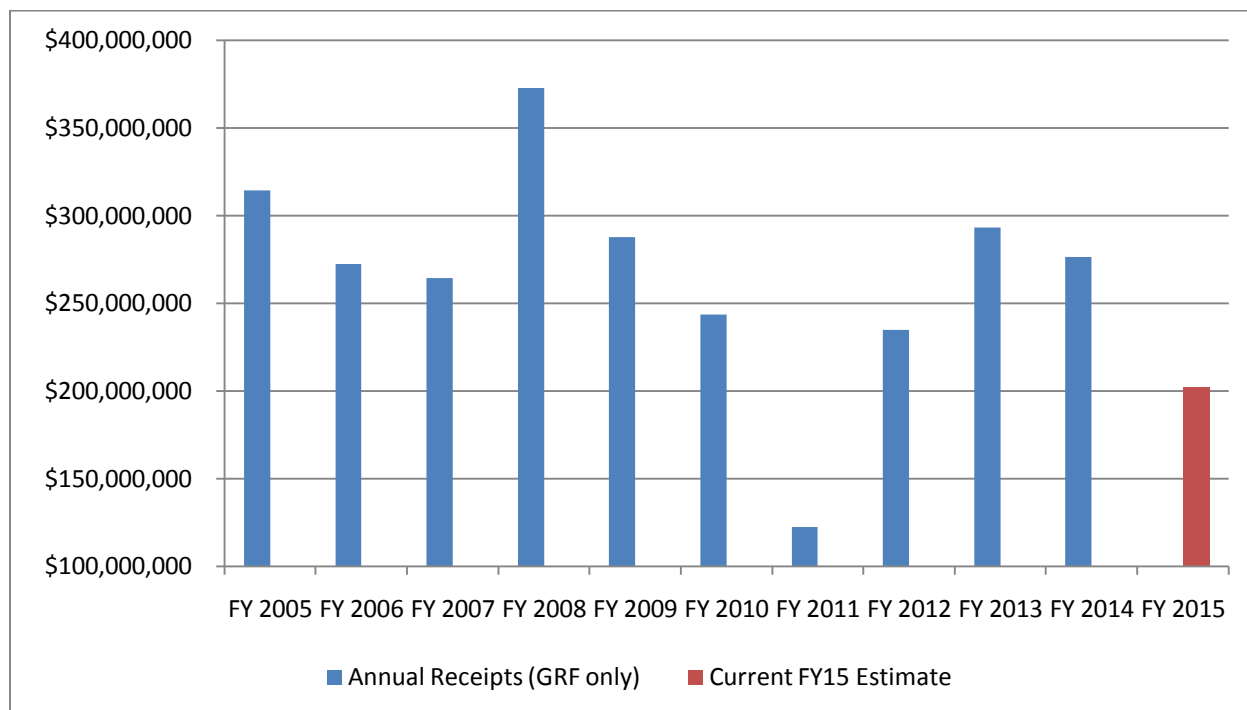
***Includes the General Revenue Fund**

	Actual	Estimate	\$ Difference	% Difference
All Funds*	\$77.1	\$72.4	\$4.7	6.5%
General Revenue Fund	\$10.1	\$8.3	\$1.8	21.7%
	FY 2014	FY 2015	\$ Difference	% Difference
All Funds*	\$69.0	\$77.1	\$8.1	11.7%
General Revenue Fund	\$8.0	\$10.1	\$2.1	26.3%

Estate Tax

The Estate Tax ended the first quarter of fiscal year 2015 exceeding the first quarter forecast by 75.8 percent, compared with last fiscal year. Ultimately, total receipts this year were 82.7 percent higher than last year.

In fiscal year 2014, there was concern about revenues brought in during the first quarter. Estate Tax receipts posted at the end of the second quarter were well in excess of expectation. At the time, the belief was that such a large influx of activity was most likely to be a one-time event. However, by the end of the fourth quarter a similar large spike of receipts was collected. Now at the end of the first quarter of fiscal year 2015, receipts are again well above expectation. At the time the estimation and forecast of Estate Tax receipts for 2014 and 2015 were completed, available data only dated as far back as fiscal year 2010. With access to new data looking further back in time, it would now seem these upticks in revenue are a part of a longer-term trend. Receipts look to be returning to the level they were at before the state decoupled from the Federal Estate Tax. Once additional receipt totals for the second quarter are finalized in December, enough information will be available to recommend a revision to this year's estimate. With the first quarter's receipts amounting to almost 44 percent of the current year estimated total, it is likely the source will see a revision upward. Below is a graph depicting annual total Estate Tax collections. The red bar represents the current fiscal year 2015 estimate.



SOURCE: Illinois Department of Revenue and Illinois Office of the Comptroller

Estate Tax

Year-to-Date (\$ millions)

***Includes the General Revenue Fund**

	Actual	Estimate	\$ Difference	% Difference
All Funds*	\$88.8	\$50.5	\$38.3	75.8%
General Revenue Fund	\$83.5	\$47.5	\$36.0	75.8%
	FY 2014	FY 2015	\$ Difference	% Difference
All Funds*	\$48.7	\$88.8	\$40.1	82.3%
General Revenue Fund	\$45.7	\$83.5	\$37.8	82.7%

Real Estate Transfer Tax (RETT)

First quarter RETT receipts for fiscal year 2015 produced \$19.9 million, which was 11.2 percent higher than the revised first quarter forecast of \$17.9 million.

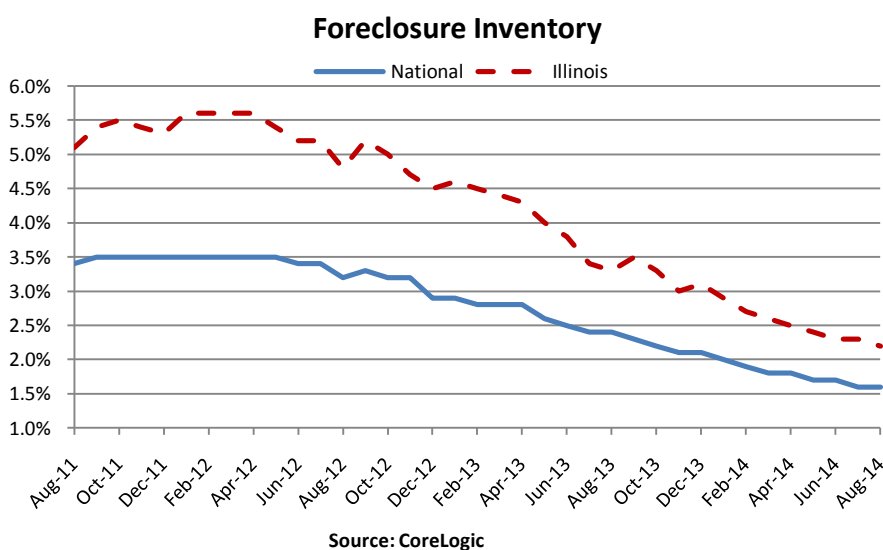
Market Factors Impact on RETT Receipts

Illinois Home Prices:

According to data released by the Illinois Association of Realtors, Illinois August 2014 median home prices had an increase of 6.1 percent over August of 2013. The price increase was attributed to a tight inventory as home sales dipped by 10.4 percent over the same period. August marked the eighth consecutive month of lower year-over-year home sales. Because RETT receipts are a function of both prices and number of sales, a relative slow growth in RETT receipts may continue for the foreseeable future. Foreclosures and the accompanying problem of homes in negative equity are primary reasons. In the August 2014 Illinois Realtors Home Sale Report, Geoffrey Hewings, Director of the Regional Economics Applications Laboratory of the University of Illinois, stated that an update to the foreclosure inventory estimate suggested that it could be twelve to fifteen months before the inventory returns to pre-recessionary levels.

Foreclosure Inventory:

Corelogic defines foreclosure inventory as the share of mortgage homes that have been placed in the process of foreclosure by the lender. The analytics firm releases a monthly National Foreclosure Report which tracks foreclosure inventory at the national and state level. The latest August 2014 report shows a continued slow improvement in the foreclosure inventory rates both at the national level and in Illinois. The Illinois rate declined to 2.2 percent and nationally the rate declined to 1.6 percent. The continued reductions in the foreclosure inventory in Illinois will have a positive effect on housing prices due to sales of distressed homes becoming a smaller share of the total market.



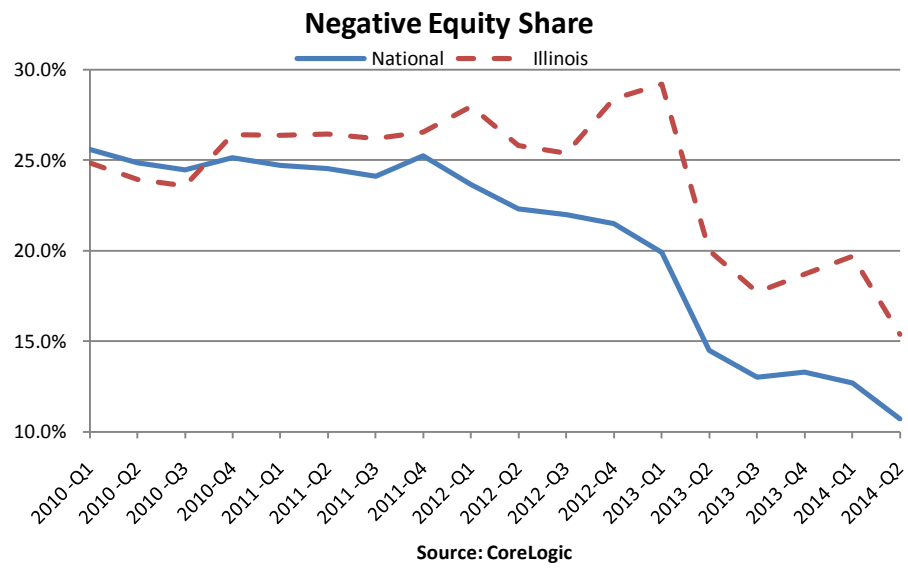


Table A-1. Comparisons with Last Fiscal Year and with IDOR Forecasts													
	Actual for the Month			Year-to-Date Actual			Year-to-Date Forecast vs. Actual			Year			
Revenue Source Receipts (millions)	September FY2014 Actual	September FY2015 Actual		FY 2014 YTD Actual	FY 2015 YTD Actual	YTD FY 2015 vs. YTD FY 2014		FY 2015 YTD IDOR Forecasts	YTD FY 2015 vs. YTD IDOR Forecasts		FY 2013 Total	FY 2014 Total	FY 2015 IDOR Estimate
Individual Income Tax (All Funds)	\$1,575.8	\$1,679.4		\$3,987.5	\$4,089.4	\$101.9	2.6%	\$4,069.8	\$19.6	0.5%	\$18,323.8	\$18,387.7	\$16,993.1
Corporate Income Tax (All Funds)	\$585.1	\$525.8		\$734.3	\$656.2	-\$78.1	-10.6%	\$784.9	-\$128.6	-16.4%	\$3,679.1	\$3,640.0	\$3,575.0
Sales Tax (GRFs)	\$633.3	\$680.4		\$1,939.1	\$2,034.4	\$95.3	4.9%	\$1,982.4	\$52.0	2.6%	\$7,354.5	\$7,675.4	\$7,847.0
Public Utilities (GRFs)	\$70.2	\$82.8		\$239.4	\$235.4	-\$4.0	-1.7%	\$237.2	-\$1.7	-0.7%	\$1,033.0	\$1,013.3	\$1,031.0
Telecommunications	\$30.5	\$39.2		\$108.5	\$108.6	\$0.0	0.0%	\$115.4	-\$6.9	-5.9%	\$491.4	\$422.3	\$450.0
Electricity	\$36.0	\$38.2		\$113.0	\$108.8	-\$4.2	-3.7%	\$105.9	\$2.9	2.8%	\$397.8	\$402.5	\$413.0
Gas	\$3.6	\$5.4		\$17.9	\$18.0	\$0.2	0.9%	\$15.8	\$2.2	13.9%	\$143.8	\$188.4	\$168.0
Estate Tax (GRF)	\$11.9	\$19.2		\$45.7	\$83.5	\$37.8	82.7%	\$47.5	\$36.0	75.8%	\$293.3	\$276.5	\$190.0
Cigarette (All Funds)	\$77.9	\$80.7		\$215.5	\$226.5	\$11.0	5.1%	\$204.5	\$22.0	10.8%	\$813.4	\$823.8	\$819.0
Tobacco Products	\$3.2	\$3.4		\$9.6	\$10.1	\$0.5	5.2%	\$10.7	-\$0.6	-5.6%	\$43.0	\$36.0	\$40.0
Regular Motor Fuel Tax	\$93.9	\$111.1		\$291.9	\$277.7	-\$14.2	-4.9%	\$291.8	-\$14.1	-4.8%	\$1,123.3	\$1,157.0	\$1,131.3
Motor Fuel - IFTA	\$6.2	\$0.3		\$19.4	\$12.7	-\$6.7	-34.6%	\$16.2	-\$3.5	-21.6%	\$67.6	\$66.2	\$64.7
Ug. Storage Tank	\$5.3	\$6.0		\$18.5	\$16.4	-\$2.1	-11.4%	\$16.3	\$0.1	0.5%	\$68.6	\$70.5	\$68.9
Liquor (GRF)	\$13.9	\$14.1		\$43.4	\$43.8	\$0.3	0.8%	\$44.1	-\$0.3	-0.7%	\$164.8	\$164.5	\$167.0
Insurance Tax (GRF)	\$63.0	\$67.5		\$86.0	\$92.1	\$6.1	7.1%	\$84.0	\$8.1	9.6%	\$333.9	\$332.6	\$325.0
Corp. Franchise Tax (GRF)	\$20.5	\$22.6		\$51.8	\$52.5	\$0.7	1.3%	\$51.4	\$1.1	2.1%	\$204.6	\$202.6	\$201.0
Real Estate Transfer Tax	\$4.8	\$8.7		\$13.4	\$19.9	\$6.5	48.5%	\$17.9	\$2.0	11.2%	\$54.0	\$56.6	\$60.0
Private Vehicle Use Tax (GRF)	\$2.0	\$3.2		\$8.1	\$9.2	\$1.1	14.2%	\$8.3	\$0.9	10.8%	\$25.3	\$28.9	\$29.0
Hotel Tax (All Funds)	\$19.1	\$24.6		\$69.0	\$77.1	\$8.1	11.7%	\$72.4	\$4.7	6.5%	\$221.0	\$227.2	\$240.0
Table A-2. Comparisons with HJR100 Forecasts													
Revenue Source Receipts (millions)					FY 2015 YTD Actual			FY 2015 YTD HJR100 Forecasts	YTD FY 2015 vs. YTD HJR100 Forecasts				FY 2015 HJR100 Estimate
Individual Income Tax (All Funds)					\$4,089.4			\$4,057.6	\$31.8	0.8%			\$16,942.0
Corporate Income Tax (All Funds)					\$656.2			\$717.3	-\$61.0	-8.5%			\$3,267.0
Sales Tax (GRFs)					\$2,034.4			\$1,981.2	\$53.2	2.7%			\$7,842.0
Public Utilities (GRFs)					\$235.4			\$231.0	\$4.4	1.9%			\$1,005.0
Estate Tax (GRF)					\$83.5			\$48.2	\$35.3	73.2%			\$205.0
Liquor (GRF)					\$43.8			\$43.6	\$0.2	0.5%			\$165.0
Insurance Tax (GRFs)					\$92.1			\$85.3	\$6.8	8.0%			\$330.0
Corp. Franchise Tax (GRF)					\$52.5			\$52.5	\$0.0	0.0%			\$205.0
Private Vehicle Use Tax (GRF)					\$9.2			\$8.3	\$0.9	10.8%			\$29.0

U.S. & Illinois Labor Market News							
U.S.	August	July	August	Change from July		Change from year ago	
(Seasonally adjusted, thousands)	2014	2014	2013	Number	Percent	Number	Percent
Labor Force	155,959	156,023	155,435	-64	0.0%	524	0.3%
Employment	146,368	146,352	144,179	16	0.0%	2,189	1.5%
Unemployment	9,591	9,671	11,256	-80	-0.8%	-1,665	-14.8%
Unemployment Rate	6.1	6.2	7.2	-0.1	-1.6%	-1.1	-15.3%
Illinois	August	July	August	Change from July		Change from year ago	
(Seasonally adjusted)	2014	2014	2013	Number	Percent	Number	Percent
Labor Force	6,493,792	6,512,875	6,540,688	-19,083	-0.3%	-46,896	-0.7%
Employment	6,060,728	6,067,484	5,938,041	-6,756	-0.1%	122,687	2.1%
Unemployment	433,064	445,391	602,647	-12,327	-2.8%	-169,583	-28.1%
Unemployment Rate	6.7	6.8	9.2	-0.1	-1.5%	-2.5	-27.2%

Source: Bureau of Labor Statistics, Illinois Department of Employment Security (Household data)

Illinois wage and salary employment							
Industry Title	August	July	August	Change from July		Change from year ago	
	2014	2014	2013	Number	Percent	Number	Percent
Total Nonfarm	5,837,400	5,823,600	5,796,800	13,800	0.2%	40,600	0.7%
Mining	9,900	10,000	9,600	-100	-1.0%	300	3.1%
Construction	202,300	200,000	191,200	2,300	1.2%	11,100	5.8%
Manufacturing	573,300	571,200	577,000	2,100	0.4%	-3,700	-0.6%
Trade, Transportation, & Utilities	1,168,300	1,164,000	1,165,900	4,300	0.4%	2,400	0.2%
Information	97,100	97,200	98,400	-100	-0.1%	-1,300	-1.3%
Financial Activities	368,800	369,100	368,600	-300	-0.1%	200	0.1%
Professional and Business Services	901,100	897,800	883,900	3,300	0.4%	17,200	1.9%
Educational and Health Services	882,700	884,400	878,700	-1,700	-0.2%	4,000	0.5%
Leisure and Hospitality	550,200	545,200	546,800	5,000	0.9%	3,400	0.6%
Other Services	249,300	251,100	249,900	-1,800	-0.7%	-600	-0.2%
Government	834,400	833,600	826,800	800	0.1%	7,600	0.9%

Source: Bureau of Labor Statistics, Illinois Department of Employment Security (Establishment data)

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